

Financial markets survey

04 October 2021

SEARCHING FOR OPTIMISM

The US market: shutdown is cancelled
Exports and imports are practically balanced
The MoF repaid Eurobonds secured by the US

GLOBAL MARKET

During the previous week, key financial indices were demonstrating uneven dynamics. The anxiety regarding the likelihood that the US Government may partly shut down at the end of the previous week and the energy crisis in China that may result in even greater problems with global supply chains added negative moods.

US Secretary of the Treasury Janet Yellen expressed an opinion that the period of low interest rates in the US was likely to continue in the immediate future. She mentioned that there were some signs indicating that inflation was slowing down. Meanwhile, FRS Chair Jerome Powell said that the regulator had met practically all the criteria to begin curtailing incentive measures. Inflation in the US was likely to remain high in the course of the nearest months, but would start slowing down afterwards.

On the last day of the financial year (30 September), the US Congress approved a bill on funding Government institutions that was immediately signed by the president of the country, thus, preventing another shutdown in the American history.

Orders for durable goods in the US grew 1.8% in August compared to July. The above-mentioned indicator accelerated as compared to a 0.5% growth in July and surpassed the consensus forecast of analysts that expected a 0.7% increase.

The Consumer Confidence Index in the US dropped to 109.3 points in September from 115.2 points registered in August. This is a record-low value of the CCI for the last seven months. On the average, analysts expected the above-mentioned indicator to climb to 114.5 points. Experts connect the fall of the Consumer Confidence Index with a rapid spread of the new coronavirus strain incidence and accelerating inflation.

The Manufacturing Purchasing Managers' Index (PMI) in the US rose to 61.1 points in September from 59.9 points registered in August. Analysts expected this indicator to slip to 59.6 points.

The European stock indices declined spurred by fears that the economic recovery will slow down. Output in the euro-area grew at a more sluggish pace in September. The relevant PMI fell to 58.6 points in September from 61.4 points in August, which is a record-low drop since April 2020.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1561-1.1726/EUR.

WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1600	-1.0	-1.8	-5.5
GBP/USD	1.3546	-1.0	-1.6	-0.9
USD/RUB	72.6642	-0.1	-0.8	-1.6
USD/UAH	26.6100	-0.1	-1.5	-5.8

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	4,357.0	-2.2	-3.7	16.0
FTSE 100 (UK)	7,027.1	-0.3	-1.7	8.8
MXME (East. Eur.)	201.3	1.8	2.0	23.6
PFTS (Ukraine)	526.3	0.0	0.0	5.3
RTS (Russia)	1,762.3	0.8	2.8	27.0

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.235	2.3	3.2	-31.3
FRS. % p.a.	0.00-0.25	0.0	0.0	0.0
ECB. % p.a.	0.000	0.0	0.0	0.0
NBU. % p.a.	8.500	0.0	6.3	41.7
CB RF. % p.a.	6.750	0.0	3.8	58.8

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	285.5	0.0	2.9	11.7
Brent. USD/barrel	79.3	2.7	11.6	56.2
WTI. USD/barrel	75.9	2.6	11.1	58.6
Gold. USD/ounce	1,757.1	0.6	-3.0	-6.9

Source: Bloomberg

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MACROECONOMY

Balance of payments

The current account turned into surplus of USD 205.0 million in August (in August last year USD 607.0 million). On current account transactions excluding reinvested earnings surplus totaled USD 768.0 million compared to USD 655.0 million in August last year.

Export of goods grew 1.5 times in August 2021 (same as in July 2021) and landed at USD 5.9 billion. The country registered that exports grew in the following key commodity groups in August: exports of ferrous and non-ferrous metals went up 2.1 times, exports of mineral products (including exports of ores) increased 2.2 times, food exports hiked 26.2%, exports of timber and wood products rose 1.5 times, chemical exports increased 2.0 times, and exports of manufactured goods soared 32.1%. At the same time, machinery and equipment exports dropped 5.6%.

Imports of goods grew 1.4 times in August 2021 (35.9% in July 2021) and landed at USD 6.0 billion. Energy imports jumped 2.3 times (1.9 times in July) mainly thanks to imports of petroleum products and natural gas. Non-energy imports grew 27.1%. In particular, chemical imports leapt 1.5 times, machinery and equipment imports increased 14.4%, imports of ferrous and non-ferrous metals grew 1.6 times, food imports jumped 24.9%, imports of manufactured goods went up 20.2%, and imports of timber and wood products increased 21.4%.

Surplus of trade in services reached USD 234.0 million. The main factor behind rising imports of services continues to be growing expenditures of persons travelling abroad and short-term migrants. Exports of computer services remained the main factor behind growing exports of services.

Net lending resources from the rest of the world landed at USD 202.0 million in August 2021.

In August 2021, net outflows under the financial account reached a mere USD 76.0 million: net outflows from the public sector were compensated by net inflows to the private sector.

Net inflows to the private sector (including errors and omissions) reached USD 308.0 million in August 2021.

Net outflows under public sector transactions totaled USD 384.0 million.

Net inflows of foreign direct investment were estimated at USD 747.0 million in August 2021.

Net decline of external position in bank transactions with portfolio and other investments totaled USD 193.0 million and was determined: by net decline of external position under the "currency and deposits" article, net increase of external position under loans, payments under earlier attracted subordinated bonds.

Net increase of the real sector's external position (excluding foreign direct investments) totaled USD 960.0 million.

Foreign currency cash outside banks grew USD 725.0 million.

Surplus of Ukraine's overall balance of payments totaled USD 126.0 million.

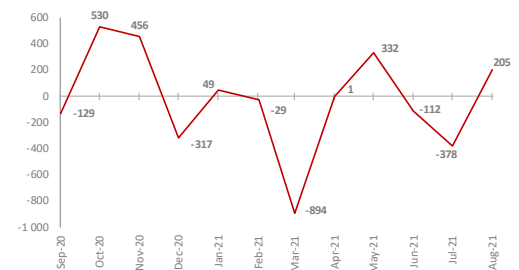
As of 01 September 2021, Ukraine's international reserves stood at USD 31.6 billion.

LATEST MACROECONOMIC DATA

Indicator	Value
Current account of the balance of payments in August 2021, USD billions	0.2

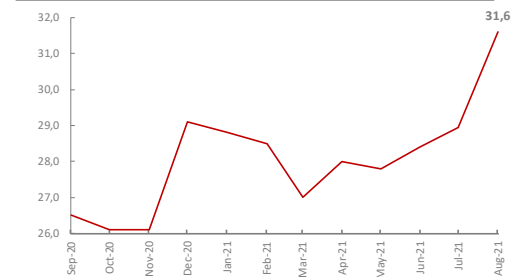
Source: the State Statistics Service

CURRENT ACCOUNT BALANCE (USD MILLIONS)



Source: the National Bank of Ukraine

INTERNATIONAL RESERVES (USD BILLIONS, BY THE END OF THE PERIOD)



Source: the National Bank of Ukraine

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held by the Ministry of Finance (MoF) on 28 September, investors were offered instruments denominated in the national currency only and maturing in one to six years. The “longest-term” instruments raised the most interest among investors.

Twenty-seven bids for the total of UAH 0.9 billion were submitted for purchasing instruments maturing in twelve months. The requested yields ranged within the limits of 11.49-11.50% p.a. The entire demand was satisfied in full. The accepted yield was established at 11.50% p.a.

Demand for instruments maturing in eighteen months consisted of fifteen bids for the total of UAH 0.8 billion. The requested yields ranged within the limits of 11.44-11.60% p.a. The entire demand was satisfied in full. The accepted yield was established at 11.60% p.a.

Demand for instruments maturing in two years almost tripled compared to the previous auction – twenty-four bids for the total of UAH 1.6 billion. The requested yields ranged within the limits of 12.34-12.50% p.a. The MoF set the accepted yield at 12.40% p.a. and rejected one bid.

Demand for instruments maturing in three years was significantly higher than that at the previous auction – twelve bids for the total of UAH 1.4 billion. The requested yields ranged within the limits of 12.44-12.69% p.a. The accepted yield was established at 12.49% p.a. and two bids were rejected.

Demand for instruments maturing in six years consisted of fifteen bids for the total of UAH 2.7 billion. The requested yields ranged within the limits of 12.75-13.04% p.a. The Ministry of Finance fixed the accepted yield at 13.04% p.a. and satisfied the entire demand in full.

Funds raised to the State Budget from the sale of instruments on September 28, 2021 – UAH 7.0 billion.

Over the previous week, the volume of outstanding domestic government bonds went down UAH 5.0 billion and, as of 01 October 2021, totaled UAH 985.1 billion (according to the total principal).

There are no payouts of domestic government bonds scheduled for the current week.

Over January-September 2021, Ukraine’s total budget revenues came to UAH 924.4 billion (UAH 103.8 billion came in September), while VAT refunds totaled UAH 111.0 billion (UAH 14.2 billion was refunded in September). As of 01 October 2021, the balance at the Single Treasury Account was registered at UAH 42.1 billion.

NBU TRANSACTIONS

Over the last week, market participants purchased NBU deposit certificates for the total of UAH 260.5 billion, including overnight certificates of deposit for the total of UAH 219.7 billion (the interest rate - stood at 7.50% p.a.).

A scheduled NBU quantitative tender to support bank liquidity, which was announced on Friday, 01 October, failed to take place.

On Friday, 01 October, the NBU placed deposit certificates maturing in two weeks for the total of UAH 40.8 billion. The interest rate - at 8.50% p.a.

A negative balance of the State Treasury transactions landed at UAH 6.5 billion over 27 September – 01 October.

The banking system liquidity is staying at a high level and is concentrated in NBU deposit certificates and on correspondent accounts of banks with the National Bank.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
28 Sep.	331 days	11.50%	27/27	927.54
28 Sep.	420 days	11.58%	15/15	833.72
28 Sep.	763 days	12.39%	24/23	1,538.69
28 Sep.	1,008 days	12.47%	12/10	1,182.82
28 Sep.	2,065 days	13.01%	15/15	2,478.88

Source: the Ministry of Finance of Ukraine

HOLDERS OF DOMESTIC BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	312.6	0.0	0.0	-3.7
Banks	500.2	-1.2	-0.4	-3.7
Legal entities	52.1	-2.4	0.3	-10.3
Territorial	0.0	0.0	0.0	-100.0
Private individ.	22.0	-0.5	5.9	98.4
Non-residents	98.2	2.5	0.1	15.2

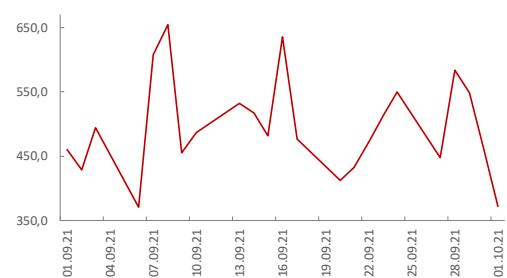
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	46.1	-25.2	-23.8	22.8	
NBU refinancing. UAH billions	123.4	-0.5	1.8	27.0	
NBU deposit certificates	O/N. UAH billions	58.1	50.4	82.9	10.5
	Total. UAH billions	147.5	10.2	28.8	-9.8

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

INTERBANK LENDING MARKET

Rates for overnight lending loans in the national currency are ranging within the limits of 7.00-8.00% p.a. on the interbank lending market, while the Ukrainian OverNight Index Average (UONIA) stood at: 7.8727% p.a. on 27 September, 7.8778% p.a. on 28 September, 7.6870% p.a. on 29 September, 7.5944% p.a. on 30 September, and 7.8380% p.a. on 01 October.

FOREIGN EXCHANGE MARKET

During the last trading week, foreign currency quotations ranged within the limits of UAH 26.51-26.72/USD on the Ukrainian interbank foreign exchange market. Increased activity of clients, which was caused by the end of the month and the quarter, did not result in serious exchange rate fluctuations, even with large VAT refunds to exporters in the background. As a result, on Friday, 01 October, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 26.6100/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 26.62-26.72/USD on Monday, 27 September, UAH 26.51-26.62/USD on Tuesday, 28 September, UAH 26.52-26.62/USD on Wednesday, 29 September, UAH 26.58-26.68/USD on Thursday, 30 September, and UAH 26.57-26.65/USD on Friday, 01 October.

Over 27 September – 01 October, the National Bank purchased USD 15.0 million from banks: USD 5.0 million by way of the best exchange rate interventions and USD 10.0 million by way of the single exchange rate interventions.

The overall foreign currency sales on the interbank foreign exchange market reached USD 2.4 billion over the previous week.

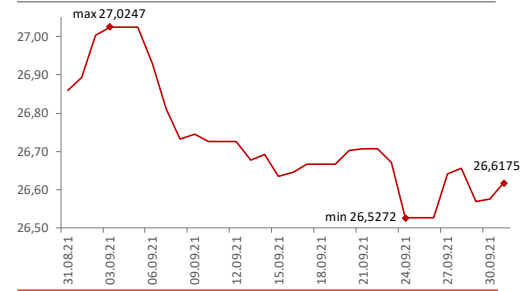
UKRAINE ON GLOBAL MARKETS

September 29, the Ministry of Finance of Ukraine repaid the third and last issue of the US guaranteed notes. The total payment amount exceeded USD 1.0 billion, of which USD 1.0 billion was redemption payment and interest payments amounted to USD 7.355 million.

The Eurobond was issued under the US guarantee with a nominal amount of USD 1.0 billion in 2016 at a yield of 1.471% per year.

This is the last out of three US-guaranteed notes issued in 2014-2016 at an interest rate of less than 2.0% p.a., the first of which was repaid in May 2019 and the second in May 2020.

NBU EXCHANGE RATE (UAH/USD)



Source: NBU

QUOTATIONS ON GLOBAL MARKETS

Name	Cou pon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2022	7,75	01.09.2022	103,77	104,38	2,80	USD
Ukraine-2023	7,75	01.09.2023	106,49	107,08	3,85	USD
Ukraine-2024	8,99	01.02.2024	109,39	110,09	4,37	USD
Ukraine-2024	7,75	01.09.2024	107,89	108,57	4,56	USD
Ukraine-2025	7,75	01.09.2025	107,86	108,53	5,30	USD
Ukraine-2026	6,75	20.06.2026	107,78	108,49	4,69	EUR
Ukraine-2026	7,75	01.09.2026	107,74	108,40	5,76	USD
Ukraine-2027	7,75	01.09.2027	107,66	108,27	6,06	USD
Ukraine- 2028	9,75	01.11.2028	116,49	117,11	6,67	USD
Ukraine- 2030	4,38	27.01.2030	91,75	92,53	5,64	EUR
Ukraine-2032	7,38	25.09.2032	101,20	101,89	7,12	USD
Ukraine-2033	7,253	15.03.2033	100,08	100,77	7,15	USD
Ukreximbank	9,63	27.04.2022	101,65	102,45	5,11	USD
Ukreximbank	7,29	09.02.2023	99,26	101,00	6,35	USD
Ukreximbank	9,75	22.01.2025	107,99	109,22	6,58	USD
Oschadbank	9,38	10.03.2023	104,74	105,16	5,56	USD
Oschadbank	7,22	19.01.2024	95,00	99,04	7,48	USD
Oschadbank	9,63	20.03.2025	107,54	108,59	6,79	USD
Metinvest BV	7,75	23.04.2023	105,93	106,04	3,70	USD
Metinvest BV	5,63	17.06.2025	104,30	105,17	4,10	EUR
Metinvest BV	8,50	23.04.2026	110,73	111,35	5,64	USD
Metinvest BV	7,65	01.10.2027	108,42	108,77	5,89	USD
Metinvest BV	7,75	17.10.2029	107,87	108,56	6,37	USD
DTEK Renew.	8,5	12.11.2024	101,77	102,84	7,45	EUR
MHP SE	7,75	10.05.2024	108,18	108,45	4,27	USD
MHP Lux SA	6,95	03.04.2026	106,23	106,66	5,27	USD
MHP Lux SA	6,25	19.09.2029	100,94	102,26	5,89	USD
Kernel Holding	8,75	31.01.2022	101,70	101,82	2,91	USD
Kernel Holding	6,50	17.10.2024	106,14	106,43	4,22	USD
VF Ukraine	6,20	11.02.2025	103,86	103,86	4,93	USD
Ukraine Railways	8,25	09.07.2024	104,44	104,73	6,35	USD
NAK Naftogaz	7,38	19.07.2022	101,89	102,37	4,26	USD
NAK Naftogaz	7,13	19.07.2024	99,80	100,80	6,78	EUR
NAK Naftogaz	7,625	08.11.2026	98,37	99,18	7,82	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2017	2018	2019	2020	2021
GDP. %	2,5	3,3	3,2	-4.0	5.7 (second quarter, preliminary estimate)
Industrial output. %	-0,1	1,1	-0,5	4.8	0.2 (July)
Consumer price growth. % year-on-year	13,7	9,8	4,1	5.0	10.2 (August)
Producer price growth. % year-on-year	16,5	14,2	-7,4	14.5	46.5 (August)
Balance of payments (consolidated). USD billions	2,6	2,9	6,0	2.0 (preliminary estimate)	0.1 (August, preliminary estimate)
Current account balance. USD billions	-2,4	-4,4	-4,1	6.5 (preliminary estimate)	0.2 (August, preliminary estimate)
Balance of trade (goods and services). USD billions	-8,61	-12,7	-12,5	-1.8 (preliminary estimate)	0.1 (August, preliminary estimate)
International reserves, USD billions, by the end of the period	18,8	20,8	25, 3	29.1 (preliminary estimate)	28.95 (July)
External debt. USD billions	116, 6	114, 7	121,7	125.8 (fourth quarter)	125.3 (second quarter)
Banking system assets, % of annual growth	6, 4	2, 0	9, 9	18.9	4.3 (January - August)
Exchange rate. by year end. UAH/USD	28, 07	27, 69	23, 69	28.27	26.58 (September)
Exchange rate. annual average. UAH/USD	26, 60	27, 20	25, 85	26.96	27.49 (January-September)

Source: the State Statistics Service, NBU

Index/ commodity	Description
S&P 500	Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks
FTSE 100	The FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange
MSCI	The MSCI EM Eastern Europe Index is a free-float weighted equity index
PFTS	PFTS is a Ukrainian stock index, which is calculated daily based on the results of trading at the PFT stock exchange.
RTS	Index RTS Index is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers presented on the Moscow Exchange
Brent crude	COA Comdty Crude Oil, Brent Active Contract
WTI crude	CLA Comdty Crude Oil, WTI Brent Active Contract
Wheat	Ukraine Feed Wheat Feed Grain Market FOB Black Sea Ports Price



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